Solid sales growth in all core business operations during the second quarter: Mobile +59 percent, International Carrier +34 percent, Internet Services +32 percent and Networks +2 percent.

Semiannual Report January–June 2001

TELIA

Visit www.telia.com for the fastest way to get financial information about Telia

Financial information is available from our web site at www.telia.com, in the Investor Relations section.

Interim reports and annual reports are posted on our web site as soon as they are published and all press releases from Telia are available online.

Our web site also describes Telia's operations and strategic initiatives and provides interesting market data about subscription growth and sales in our business areas and product segments.

You can also track the share price and check trading volume for Telia shares on our web site, or find information about which analysts monitor Telia.

Group executive management press conferences are broadcast via our Swedish web site at www.telia.se when reports are presented.

Financial Information

Interim Report January–September	7 November
Year-End Report	8 February

Please direct questions regarding content to:

Telia AB, Investor Relations
SE-123 86 Farsta, Sweden
Tel. +46 (0)8 713 1000
Fax +46 (0)8 713 6947 or online at www.telia.com, Investor Relations.

Reports can be ordered via:

Tel. +46 (0)8 713 7143
Fax +46 (0)8 604 5472
or online at www.telia.com, Investor Relations.

Telia Semiannual Report January–June 2001

Q2 in Brief

- Group sales increased 8 percent to MSEK 14,203. Sales for comparable units increased by 10 percent
- Solid sales growth in core business
  – Mobile +59 percent
  – International Carrier +34 percent
  – Internet Services +32 percent
  – Networks +2 percent – breaking the trend
- The total number of broadband customers increased by 66,000 to 203,000
- Underlying EBITDA increased 5 percent to MSEK 3,014
- Substantial non-recurring items in earnings from associated companies
  – Capital gain from sale of Tess (MSEK +2,623)
  – Write-down of remaining goodwill in Netia (MSEK – 1,820)
- Earnings after financial items increased from MSEK 356 to MSEK 909
- Improved cash flow

Review of Group Earnings

MSEK	Apr–Jun 2001	Apr–Jun 2000	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	14,203	13,180	27,795	26,037	54,064
Change in net sales (%)	7.8	0.9	6.8	2.3	3.7
Underlying EBITDA	3,014	2,857	6,362	6,117	13,087
Underlying EBITDA margin (%)	21.2	21.7	22.9	23.5	24.2
Operating income	988	488	1,799	3,870	12,006
Income after financial items	909	356	1,411	3,792	11,717
Net income	250	308	541	2,698	10,278
Earnings per share (SEK)	0.08	0.10	0.18	0.94	3.50
after dilution (SEK)	0.08	0.10	0.18	0.94	3.50
Return on equity (%)	–	–	–	–	23.9
Investments	5,954	16,042	9,613	20,686	47,742
of which CAPEX	3,666	3,841	7,234	6,026	16,580
of which goodwill, shares and participations	2,288	12,201	2,379	14,660	31,162

Review of the Group – Summary

Sales

Telia anchored its position as the leading telecommunications company in the Nordic countries during the second quarter. Group net sales rose by 8 percent to MSEK 14,203 during the second quarter compared to the corresponding quarter 2000. The increase for the six-month period was 7 percent. Net sales for comparable units climbed 10 percent during the second quarter and 7 percent during the first six months.

The business areas in Telia's core business showed positive growth. Sales fell for Telia Equity, where operations are being divested.

Net sales in the mobile operations, Telia Mobile, jumped 59 percent to MSEK 4,004 during the second quarter. The increase for the six-month period was 52 percent. The driving factors behind the sales were robust growth in the customer base during 2000, the acquisition of NetCom in Norway and continued good customer growth in 2001. Telia's customer base in the Nordic countries grew during the first six months by 175,000 to 4,728,000 customers, while the number of customers via service providers climbed by 83,000 to 181,000.

Sales in the international carrier operations, Telia International Carrier, rose by 34 percent to MSEK 869 during the second quarter. The increase for the six-month period was 22 percent. The network platform that Telia is working to establish in Europe and the United States is gradually being brought into service, which means that Telia can deliver pre-sold infrastructure and capacity and connect customers to the network.

Net Sales per Business Area [1)]

	Jan–Jun 2001 MSEK	Change %	Jan–Jun 2000 MSEK	Full year 2000 MSEK
Mobile	**7,618**	**52.2**	**5,006**	**12,365**
International Carrier	**1,609**	**21.5**	**1,324**	**3,012**
Networks				
Retail market	13,370	–3.0	13,785	27,217
Wholesale market	1,827	30.4	1,401	2,988
	15,197	**0.1**	**15,186**	**30,205**
Internet Services	**1,528**	**27.9**	**1,195**	**2,501**
Equity	**1,750**	**–45.5**	**3,213**	**5,768**
Group-wide	**93**	**–17.7**	**113**	**213**
Total	**27,795**	**6.8**	**26,037**	**54,064**
of which core business	26,045	14.1	22,824	48,296

1) For further information: www.telia.com, Investor Relations, Financial information, External net sales per business area and product segment (specification).

A stepped up rate of delivery for broadband together with continued good demand for dial-up Internet access led to a 32 percent increase in sales in Telia Internet Services during the second quarter, to MSEK 813. The increase for the six-month period was 28 percent.

During the second quarter, Telia's total number of broadband connections surged by 66,000 to 203,000, of which ADSL/LAN in Sweden grew by 54,000 to 122,000.

The fixed network operations of Telia Networks showed positive sales growth for the first time since the implementation of the carrier preselect reform in the Swedish market. Second quarter sales increased by 2 percent to MSEK 7,722. Sales for the first six months were on a par with sales in the same period the preceding year.

As a step in the Group's refine and focus strategy, several other companies within Telia Equity were sold, which reduced sales by MSEK 1,023 during the second quarter and MSEK 1,463 during the first six months compared to the same period of 2000.

Earnings

Underlying EBITDA

The Group's underlying EBITDA rose by 5 percent to MSEK 3,014 during the second quarter compared to the corresponding quarter 2000. The increase for the six-month period was 4 percent.

In Telia's core business, earnings increased by 35 percent and 13 percent respectively, which was mainly attributable to improved margins in the Swedish mobile operations and the acquisition of Netcom. During the second quarter, Telia Mobile's earnings improved by 139 percent to MSEK 1,126. The improvement for the six-month period was 72 percent.

Underlying EBITDA and Operating Income

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Mobile	2,260	1,316	3,396
International Carrier	–755	–91	–572
Networks	5,517	5,408	11,257
Internet Services	–518	–618	–1,201
Equity	414	858	1,831
Group-wide	–556	–756	–1,624
Total underlying EBITDA	**6,362**	**6,117**	**13,087**
of which core business	5,948	5,259	11,256
Depreciation, amortization and write-downs	–4,915	–3,696	–8,222
Non-recurring items & pensions	301	1,517	8,338
Share of earnings in associates	51	–68	–1,197
Operating income	**1,799**	**3,870**	**12,006**

Telia Internet Services and Telia Networks also contributed to the earnings growth. The strong growth in broadband accesses combined with cost cuts helped Telia Internet Services improve its underlying EBITDA by MSEK 235 to MSEK –168 during the second quarter. The improvement in earnings during the first six months was MSEK 100.

The higher subscription fee for fixed telephony for private consumers and streamlining measures contributed to higher underlying EBITDA for Telia Networks during the second quarter, an increase of MSEK 200 to MSEK 2,680. The improvement during the first six months was MSEK 109.

The international carrier operations are being built up with investments in infrastructure and costs for establishing local technical and sales companies as well as licenses. Telia International Carrier reported a deficit of MSEK –401 for the second quarter. The deficit for the first six months was MSEK –755. This decline in earnings was halted during the second quarter.

The divestitures in Telia Equity impacted underlying EBITDA by MSEK –420 during the second quarter and by MSEK –444 during the six-month period compared to the same period the preceding year.

Earnings from associated companies

Earnings from associated companies in the second quarter totaled MSEK 208, compared to MSEK –710 in the second quarter of 2000. Operating income for the six-month period was MSEK 51, compared with MSEK –68 year on year. On the basis of Netia's financial situation, the remaining goodwill on the Netia shares was written down, which impacted earnings by MSEK –1,820. Divestitures, primarily Tess, had a positive effect on earnings.

Earnings from Associated Companies

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Netia Holdings (Networks)	–1,922	–167	–411
Baltic states (Mobile/Networks)	80	72	190
Unisource/AUCS (Networks)	–110	1,063	1,445
Comsource/Eircom (Networks)	–966	–520	–933
Telia Overseas (Equity)	2,601	–643	–1,719
Eniro (Equity)	380	–	185
Other associated companies	–12	127	46
Total	**51**	**–68**	**–1,197**

Non-recurring items

Non-recurring items during the second quarter totaled MSEK 271 compared with MSEK 201 year on year. The revaluation of pension commitments totaled MSEK 141 with the remainder from capital gains from the sale of subsidiaries, mainly the fixed network operations in Finland and the call center operations Direct Response Services. Non-recurring items for the six-month period totaled MSEK 301 compared to MSEK 1,517. The higher figure from the preceding year is due to the divestiture of the Norwegian fixed network operations.

Operating income/Net income

An improvement in underlying EBITDA and overall better earnings from associated companies and non-recurring items compensated for increased depreciation, which meant that operating income surged during the second quarter to MSEK 988 compared to MSEK 488 year on year. The negative impact of non-recurring items and higher depreciation led to operating income for the first six months totaling MSEK 1,799 compared to MSEK 3,870 for the first six months of 2000.

Net income totaled MSEK 250 for the second quarter and MSEK 541 for the first six months.

Financial Position and Cash Flow

The Group's financial position is good. The balance sheet total increased during the first six months along with the positive sales growth. The interest coverage ratio was weaker compared to the preceding year, which is attributable to interest on loans raised during the last six months of 2000 for financing the acquisition of NetCom.

This improved during the second quarter, however, and the debt/equity ratio, which was already low compared to other operators with similar operations, decreased.

MSEK	30 Jun 2001	31 Dec 2000	31 Dec 1999
Interest coverage ratio (multiple)	2.0	7.3	8.5
Balance sheet growth (%)	6.1	60.2	13.9
Asset turnover rate (multiple)	0.47	0.54	0.72
Equity/assets ratio (%)	44.4	44.4	41.0
Capital employed	99,097	92,374	50,936
Operating capital	78,361	75,042	39,160
Net interest-bearing liability	19,069	20,235	7,527
Debt/equity ratio (multiple)	0.33	0.37	0.24

The streamlining of the Group's operations through divestitures brought in a cash inflow totaling MSEK 5,089. This meant that the operating cash flow showed significant improvement compared with the preceding quarter and was positive for the first time since the fourth quarter of 1999.

The year 2000 dividend of SEK 0.50 per share, or a total of MSEK 1,501, was paid out on 18 May.

Investments

Overall investments during the six-month period increased by 3 percent compared to the preceding year, adjusted for the acquisition of NetCom in 2000.

Investment by Class of Asset

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Goodwill	453	11,395	22,893
Other intangible assets	114	337	509
Real estate	97	353	552
Machinery and equipment	7,023	5,336	15,519
Fixed telephony installations	*1,635*	*766*	*4,115*
Mobile telephony installations	*691*	*431*	*1,411*
Other machinery and equipment	*4,697*	*4,139*	*9,993*
Shares and participations	1,926	3,265	8,269
Total	**9,613**	**20,686**	**47,742**

Capital expenditure increased by 20 percent to MSEK 7,234. The majority of these investments focused on the expansion of the international carrier network, broadband expansion in Sweden and greater capacity in the Nordic mobile networks.

The majority of the investments in goodwill and shares and participations concerned the Danish broadband company Powercom and the directory companies Panorama Polska and Eniro.

Employees

The Group's refine and focus efforts during the second quarter reduced the number of employees by 7,468 persons to 22,468 as per 30 June.

The average number of employees was 27,637 persons during the six-month period, compared to 30,307 for the full year 2000. The decrease is primarily due to Eniro and Telefos being reported as associated companies.

Telia Mobile

Robust organic customer growth during 2000 and the acquisition of NetCom laid the foundation for strong earnings growth in Telia's mobile operations. The customer base increased by 175,000 during the first six months of 2001 to 4,728,000. In addition, the number of customers via service providers grew by 83,000 to 181,000. Customer growth meant that sales climbed 59 percent to MSEK 4,004 during the second quarter. The increase for the six-month period was 52 percent. Sales increased for comparable units by 24 percent and 19 percent respectively.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	8,486	6,085	14,556
of which external	7,618	5,006	12,365
Underlying EBITDA	2,260	1,316	3,396
Operating income	817	781	1,585
Investments	1,202	12,736	26,017
Mobile telephony, Sweden			
Net sales	5,480	5,184	10,889
of which external	4,703	4,215	8,868
Underlying EBITDA	2,404	1,811	4,138
Investments	504	402	1,108
Mobile telephony, Norway			
Net sales	1,959	–	1,669
of which external	1,945	–	1,655
Underlying EBITDA	610	–	471
Investments	287	11,362	23,267
Mobile telephony, Finland			
Net sales	295	139	370
of which external	281	137	364
Underlying EBITDA	–170	–279	–494
Investments	123	109	214
Mobile telephony, Denmark			
Net sales	367	225	505
of which external	327	174	442
Underlying EBITDA	–219	–165	–475
Investments	160	8	246

Improved margins in the Swedish mobile telephony operations, strong sales growth in Norway and reduced production costs in Finland led to an increase in underlying EBITDA of 139 percent during the second quarter to MSEK 1,126, compared with the same quarter of 2000. The improvement in earnings during the first six months was 72 percent. Underlying EBITDA increased for comparable units by 55 percent and 26 percent respectively.

The development of new business, including the Speedy Tomato portal, and operations in Finland and Denmark burdened earnings.

During the second quarter, earnings from associated companies improved by 20 percent to MSEK 59. The improvement for the six-month period was 32 percent. The increase is primarily attributable to customer growth in the mobile operator companies in the Baltic states and northwestern Russia. The aggregate customer base of the companies increased by 269,000 to 1,428,000 customers during the six-month period.

Mobile's operating income surged by 88 percent to MSEK 410 during the second quarter. The improvement for the six-month period was 5 percent. The operating income was affected by goodwill write-downs through the acquisition of NetCom, by MSEK 314 and MSEK 617 respectively.

A total of MSEK 1,202 was invested during the first six months of 2001. Investments were made in expanding capacity in existing networks and in new technological platforms, GPRS and UMTS.

Telia introduced its first pan-Nordic mobile telephony service in the beginning of May. The service will be launched during the fall of 2001 starting in Norway.

Speedy Tomato was awarded first prize in the category Best Mobile Portal at the Annual Global Mobile Awards in Nice.

Mobile telephony, Sweden

In the Swedish market, sales rose by 16 percent to MSEK 2,456 during the second quarter compared to the corresponding quarter 2000. The increase for the six-month period was 12 percent. This sales growth was attributable to the robust increase in the customer base during 2000 and continued good customer growth during 2001. The first six months showed an increase in the number of GSM customers by 99,000 to 3,175,000 while the number of customers via service providers increased by 48,000 to 71,000. Slashed interconnect charges and an overall 8 percent cut in retail prices had a negative impact on sales.

Traffic volume per customer rose during the second quarter for both subscription customers and prepaid card customers. The average traffic volume per customer per month rose from 126 to 128 minutes compared to the same quarter the preceding year. Price cuts meant that the average monthly revenue per customer (ARPU) sank to SEK 280 compared with SEK 306 year on year. Compared to the first quarter of 2001, ARPU showed an increase.

The number of SMS messages during the first six months climbed by 190 percent to 171 million, compared to the same period 2000.

Churn was 7 percent during the second quarter, compared to 10 percent the first quarter.

Streamlining measures and reduced discounts on terminals improved earnings in the Swedish operations. During the second quarter, underlying EBITDA increased by 56 percent to MSEK 1,210. For the six-month period, earnings increased by 33 percent. At the same time, the margin increased from 30 percent to 43 percent during the second quarter and from 35 percent to 44 percent during the first six months compared with the same period the preceding year.

Several data-based services were launched during the quarter, including positioning services. Telia Mobile began collaborating with strategic partners for the development of services in music, entertainment, competitions and games.

The newspaper "Mobil" conducted its most extensive test ever during the spring. Telia won in all categories: coverage, voice transmission quality, call connection and fewest lost calls.

On 29 May, Telia was ordered by the Swedish National Post and Telecom Agency (PTS) to reduce its interconnect fee from the current SEK 1.18 per minute to SEK 0.98 per minute. Telia has appealed the decision to the county administrative court, which has granted inhibition pending its final consideration.

Mobile telephony, Norway

Sales in the Norwegian market for the second quarter climbed by 35 percent to MSEK 1,046. The increase for the six-month period was 31 percent. The higher sales are attributable to customer growth, continued strong SMS development and stable price levels.

The number of GSM customers during the first six months increased by 34,000 to 884,000, while the number of customers via service providers jumped by 60,000 to 110,000. During the six-

month period, 220 million SMS messages were sent, an increase by 75 percent compared with the same period the preceding year.

The average traffic volume per customer per month was somewhat lower during the second quarter compared to the second quarter of 2000. Greater earnings from SMS and a stable price level entailed higher ARPU during the second quarter, from NOK 301 to NOK 317, compared to the second quarter of 2000.

The second quarter showed a 21 percent increase in underlying EBITDA (pro forma) to MSEK 324 compared to the same quarter of 2000. For the first six months, earnings grew by 19 percent.

On 16 July, NetCom became the first operator in the Nordic countries to make a UMTS call.

Mobile telephony, other Nordic countries

Sales in the Danish market for the second quarter climbed by 91 percent to MSEK 168. The increase for the six-month period was 88 percent. The customer base grew by 57,000 to 354,000 customers during the first six months.

During the second quarter, underlying EBITDA increased by 21 percent to MSEK –75. For the six-month period as a whole, earnings dropped by 33 percent due to customer recruitment costs and high costs for interconnect and roaming. The ongoing installation of GSM 900 networks is expected to have a positive impact on roaming costs.

Sales in the Finnish market for the second quarter climbed by 60 percent to MSEK 144 during the second quarter. The increase for the first six months of 2001 was 105 percent compared to the same period of the preceding year. The customer base grew by 18,000 to 167,000.

Reduced production costs cut the deficit during the second quarter from MSEK –156 to MSEK –99. For the six-month period, earnings increased by 39 percent.

In June, Dual-prepaid was launched, which allows Telia to offer prepaid cards throughout Finland, not just in areas with our own networks.

Telia International Carrier

The network platform, the Viking Network, that Telia is working to establish in Europe and the United States, is gradually being brought into service, which means that Telia can begin to deliver pre-sold infrastructure and capacity and connect customers to the network. Sales in the international carrier operations increased by 34 percent to MSEK 869 during the second quarter. All product areas showed improved growth.

Sales for the six-month period increased by 22 percent. The somewhat lower earnings growth for the first six months was due to the fact that the telephony market dropped during the first quarter. At the beginning of the year, prices fell substantially when players with financial problems dumped their prices in order to quickly fill their networks with traffic. Telia tightened its credit policy and refrained from high risk business with low margins and also terminated contracts with customers who were not able to pay. Telia has actively sought customers with high capacity to pay, including mobile operators, and has also developed relationships with existing customers. Together with a calmer price trend, these factors had a very positive impact on sales in the telephony operations.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	2,119	1,852	4,116
of which external	1,609	1,324	3,012
Underlying EBITDA	–755	–91	–572
Operating income	–988	–197	–854
Investments	2,281	2,460	6,634

Sales of network capacity tripled during the first six months of 2001, and sales of IP traffic doubled. Sales revenue from the sale of infrastructure surged from MSEK 6 to MSEK 85.

Build-up phase

The carrier operations are being expanded incurring costs for establishing local technical and sales companies as well as licenses. Underlying EBITDA totaled MSEK –401 for the second quarter. For the six-month period, underlying EBITDA was MSEK –755. The negative earnings trend was halted during the second quarter.

Postponing the rollout of certain routes, including the TAT 14 Atlantic cable, meant that Telia International Carrier was forced to lease network capacity on short-term agreements, which entailed higher costs. TAT 14 is now in service.

The operations of the American Internet operator Telia Internet Inc, which was acquired during the spring of 2000, showed losses during the first six months of 2001 of MSEK –187 in underlying EBITDA (MSEK –240 in operating income). This business is planned to be divested.

Due to uncertainty on the market, International Carrier burdened earnings by slightly more than MSEK 100 for credit losses during the first six months.

During the second quarter, agreements for the sale of infrastructure at an aggregate value of MSEK 1,200 were renegotiated from one-time payment upon delivery to quarterly payments over the period of the agreements.

The Viking Network

Additional routes of the Viking Network were rolled out during the second quarter. At 30 June, 11,000 kilometers of the 18,000 kilometer long fiber-optic network in the United States were in service. In Europe, the fiber-optic network was extended, from 13,000 to 15,000 kilometers, while duct capacity grew from 5,300 to 8,000 kilometers. At 30 June, approximately 85 percent of the European network was in service. The focus is on lighting up routes that have already been laid or that are under construction before the end of the year, which means that Telia at the end of the year is expected to have a 40,000 kilometer long fiber-optic network in service, of which 22,000 kilometers in Europe and 18,000 kilometers in the United States.

As the network is completed, the traffic that is routed over leased capacity will be phased over to the Viking Network, which will have a positive impact on costs beginning in the third quarter.

The continued network expansion in southern Europe and Hungary is primarily being accomplished by swapping infrastructure and capacity with other network owners. During the period, swap agreements were signed with the Italian telecom operator Nets, providing access to network capacity in France and Italy. A swap agreement was signed with the fixed network operator Kaptech, granting access to facilities for co-location and a fiber-optic ring in Bordeaux in exchange for fiber in the Viking Network. Swap deals with the German-based telecom operator Infigate provide Telia with access to infrastructure in Hungary.

In the Czech Republic, Poland, the Baltic states and Russia, where the carrier market remains undeveloped with significant demand on infrastructure, Telia is carrying out its plans for installation of its own infrastructure.

New services

Telia focuses its services to operators and service providers as well as to end-customers who buy wholesale services. During the second quarter, the VoIP service (Voice over IP) was developed through the introduction of SIP (Session Initiation Protocol), which simplifies web-based use of telephony, video, chat, e-mail and games. At the same time, Telia launched co-location services. Telia International Carrier offers operators and service providers to connect their equipment, e.g. IP servers, at some 50 locations in Europe and the United States.

At the end of June, Telia was chosen as one of the main suppliers of capacity to GÉANT, a network that links 3,000 research and educational institutions in Europe.

Telia Networks

For the first time after the fall 1999 carrier preselect reform, sales are again on the rise in fixed network operations.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	17,674	20,165	39,723
of which external	15,197	15,186	30,205
Underlying EBITDA	5,517	5,408	11,257
Operating income	42	4,950	7,950
Investments	3,305	2,533	7,421
Sweden			
Net sales	16,692	19,338	37,987
of which external	14,445	14,563	28,897
Underlying EBITDA	5,563	5,538	11,272
Investments	2,499	2,241	4,565

Second quarter sales climbed by 2 percent to MSEK 7,722. Sales for the first six months were on a par with sales in the same period the preceding year.

Retail market

Retail sales in Sweden, Denmark and Finland fell by 3 percent during the first six months of 2001 compared to the same period of 2000. Sales of network capacity, data communication and premium services grew while sales of basic telephony dropped by 5 percent. The decrease in basic telephony was in the Swedish market and was chiefly attributable to reduced market shares on local calling and to a lesser extent on lower price levels (–1 percent). The lower price level was due to major price cuts made in 2000 and the fact that the increased subscription fee for household customers of 1 March 2001 did not reach full impact.

Wholesale market

The large number of players on the retail market is increasing the demand for network capacity, interconnect traffic and other network products from external operators and service providers. This means that Telia can compensate for part of the loss of revenue on the retail market with higher wholesale sales. During the six-month period, revenues in the wholesale operations rose by 30 percent.

Earnings

The second quarter showed an increase in underlying EBITDA by 8 percent to MSEK 2,680 compared to the same quarter of 2000. For the first six months, earnings increased by 2 percent. The margin also showed some improvement.

During the second quarter, earnings from associated companies dropped from MSEK –509 to MSEK –2,557. During the first six months, earnings dropped from MSEK 362 to MSEK –2,971. Capital gains from the sale of companies within Unisource had an impact on earnings in 2000. The remaining company, AUCS, burdened earnings. The business is expected to be wholly divested in the fall of 2002. Reserves are expected to cover any future deficit.

During the second quarter, a write-down of MSEK –1,820 was made on Telia's remaining goodwill on its shareholding in Netia.

Negative development for the Vodafone share meant that the divestiture of Eircom's mobile company Eircell weakened Telia's share of earnings by MSEK –314. Provisions for restructuring within Eircom had an impact on earnings of MSEK –292.

The fixed network operators in the Baltic states had an impact on earnings of a minor deficit on a par with the preceding year.

Non-recurring items during the second quarter totaled MSEK 80 compared with MSEK –66 year on year. During the first six months, non-recurring items totaled MSEK 38 compared to MSEK 1,537. The high total in 2000 was chiefly due to the sale of the Norwegian operations.

Lower earnings from associated companies and non-recurring items reduced the operating income from MSEK 724 to MSEK –1,085 during the second quarter. During the first six months, operating income dropped from MSEK 4,950 to MSEK 42.

Network development

Telia is taking major initiatives for developing the fixed networks, focused on shifting from circuit-switch networks to packet oriented IP networks in order to meet the growing demand on broadband services and IP based services. As one of the first telecom operators in Europe, Telia has decided to use the new standard IPv6, which provides access to an almost infinite number of IP addresses and opens the door to new types of services.

A total of MSEK 2,227 was invested in the fixed networks during the first six months. A substantial part of this was for the expansion of ADSL in Sweden. During the six-month period, the number of ADSL/LAN connections grew by 80,000 to 122,000, of which 14,000 were delivered to operators and service providers outside of Telia.

In order to meet the growing demand on capacity in the transport network, the nationwide fiber-optic network was further expanded while the fiber-optic networks in Stockholm, Gothenburg and Malmö were built up.

Powercom was acquired during the second quarter in order to strengthen Telia's position on the Danish wholesale market and to increase Telia's opportunities for broadband operations in the retail market. The company owns a 5,000 kilometer long nationwide fiber-optic network and fiber rings in Denmark's 40 largest cities and towns.

At the end of June, the fixed network operations in Finland were sold to Song Networks with the exception of those parts of the network that are strategically important for Telia's international carrier operations.

Several new premium services were launched on both the retail and wholesale markets, along with activities for increasing loyalty among high-priority customers and for winning back customers

who chose a different supplier for fixed telephony in conjunction with the preselect reform. In May, eTeleräkning was launched, which allows household customers to receive their telephone bills electronically and make payments over the Internet. This new payment system reduces costs and makes it easier for our customers.

Telia Internet Services

Sales rose by 32 percent to MSEK 813 during the second quarter compared to the corresponding quarter 2000. The increase for the six-month period was 28 percent. The increase was attributable to Internet Services' streamlined delivery process, which made it possible to satisfy the huge demand for broadband access. Furthermore, demand on dial-up Internet access remained strong. This allowed Telia to anchor its position as the leading broadband supplier and defend its position on the market for dial-up Internet access in Sweden.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	1,572	1,289	2,793
of which external	1,528	1,195	2,501
Underlying EBITDA	–518	–618	–1,201
Operating income	–728	–697	–1,309
Investments	544	232	994
Sweden			
Net sales	1,351	1,135	2,435
of which external	1,309	1,042	2,144
Underlying EBITDA	–489	–600	–1,118
Investments	479	201	916

The cable television business com hem was transferred during the second quarter to Telia Internet Services in order to strengthen the broadband offerings. The com hem operations are now coordinated with Internet Services' other business in order to create synergies regarding technical platforms, services and marketing on both the Swedish and Danish markets.

Accesses

Sales of access services increased by 22 percent during the first six months and accesses represented approximately 60 percent of the business area's total sales.

On the Swedish market, the number of paying broadband customers jumped by 81,000 to 130,000 during the first six months. The most substantial increase was in ADSL/LAN, where the number of customers surged by 65,000 to 92,000. In cable television (Internet Cable), the number of paying broadband customers grew by 16,000 to 38,000.

Demand remained strong for dial-up access (PSTN and ISDN). The number of dial-up Internet accesses increased during the six-month period by 37,000 to 724,000.

Additional general agreements were signed. At mid-year, general agreements covered potential connections of 1,026,000 customers over ADSL/LAN and 441,000 customers in the cable television network in the consumer market in Sweden.

The number of fixed accesses (ProLane) in the business market continued to grow. The fixed accesses were further developed and during the second quarter a service was launched for teleworking, Telia ProLane Remote Access.

On the Danish market, where Telia offers broadband access via the cable television company Stofa, the number of paying broadband customers climbed by 13,000 to 43,000 during the first six months, while the number of dial-up Internet accesses increased by 10,000 to 88,000.

Services

Sales of Internet-based services surged during the six-month period from MSEK 5 to MSEK 44.

During the second quarter, broadband services were launched on the portal www.startsidan.telia.se, which led to a huge jump in the number of unique visitors (469,000 during May). Startsidan was awarded the prize as Best Web TV in the Nordic Countries.

During the second quarter, Telia became the first operator to enter into an agreement with Microsoft for offering Microsoft's XP product, which allows several different people to work together over a fully designed shared website.

Cable television

Sales in the cable television operations (excluding Internet) increased during the first six months by 25 percent year on year to MSEK 555.

The majority of the Swedish network is digitized. At 30 June 1.1 million of a total of 1.4 million cable television customers could access digital TV. During the first six months, the number of digital TV subscriptions climbed by 9,000 to 108,000.

In Denmark at the end of the first six months, Telia had 180,000 cable television customers with direct connections and 430,000 customers with parabolic antenna connections. Pilot testing of digital TV is currently under way.

Earnings

During the second quarter, underlying EBITDA increased by MSEK 235 to MSEK –168. The improvement in earnings during the first six months was MSEK 100. This improvement was mainly attributable to increased sales, but also somewhat to reduced costs during the second quarter.

During the second quarter, the deficit from associated companies increased from MSEK –1 to MSEK –13. During the six-month period, earnings fell from MSEK –1 to MSEK –28, year on year. The company established jointly with FöreningsSparbanken, Marakanda, had a negative impact on earnings totaling MSEK –27.

The increase in underlying EBITDA improved the second quarter operating income from MSEK –441 to MSEK –285. Operating income fell somewhat for the six-month period due to increased depreciation.

The loss in Telia Internet Services' operations was due to major initiatives for building up a broadband market for Internet services, which entailed costs for developing accesses and services and for building up IT systems and customer services.

Another factor was that the price level for broadband accesses was much too low. Thus it was decided to increase the monthly fee for individual ADSL/LAN connections from the current SEK 250 to SEK 325 as of 1 September 2001.

On 4 April it was decided to raise the monthly fee for Internet Cable from SEK 200 to SEK 295. The price increase took effect immediately for new customers. For existing customers, the price increase takes effect on 1 July 2001.

The higher rate of investment is chiefly attributable to the conversion of the cable television network to broadband Internet. During the first six months, the number of households able to access broadband Internet grew from 193,000 to 318,000 in Sweden and from 175,000 to 225,000 in Denmark.

Telia Equity

Telia Equity is responsible for refining and focusing the Telia Group and manages the participating interests that Telia decides to retain in divested companies.

Additional operations were divested during the second quarter, including 51 percent of the Telefos Group. (Divestitures are reported under the heading "Acquisitions and Divestitures"). The business area's sales fell during the second quarter due to the divestitures from MSEK 1,776 to MSEK 753. For the six-month period, sales fell from MSEK 3,213 to MSEK 1,750. For comparable units, sales remained at approximately the same level. Sales for the remaining operations totaled MSEK 1,120 during the six-month period.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net sales	6,923	9,152	18,365
of which external	1,750	3,213	5,768
Underlying EBITDA	414	858	1,831
Operating income	3,033	107	5,720
Investments	2,334	2,771	6,817

The divestitures led to a drop in underlying EBITDA. During the second quarter, underlying EBITDA fell from MSEK 689 to MSEK 95.

During the six-month period, underlying EBITDA fell from MSEK 858 to MSEK 414. For comparable units, earnings remained approximately on a par with the preceding year. Underlying EBITDA for the remaining operations totaled MSEK 215 during the first six months.

During the second quarter, earnings from associated companies improved from MSEK –237 to MSEK 2,740. During the first six months, earnings improved from MSEK –481 to MSEK 2,987. The improvement is mainly attributable to capital gains from the sale of associated companies within the Telia Overseas Group: Tess (MSEK 2,623) and SI. Mobil (MSEK 380), capital gains from the sale of Panorama Polska (MSEK 104) and issue proceeds from Eniro (MSEK 285).

The higher earnings from associated companies improved the second quarter operating income from MSEK 319 to MSEK 2,717. During the six-month period, operating income increased from MSEK 107 to MSEK 3,033, year on year.

The greater part of the investments during the first six months of 2001 concerned the acquisition of the remaining 51 percent of Panorama Polska which preceded the divestiture to Eniro and the shares in Eniro that comprised part of the payment for Panorama Polska.

Acquisitions and Divestitures

Telia and Tele2 formed the jointly owned (50:50 split) company Svenska UMTS-nät AB during the first quarter. The company will build and operate networks for the UMTS mobile telephony system. The parties will continue to be competitors, each with its own range of services. The agreement requires the approval of the Swedish Competition Authority.

Through acquisitions in January and April, Telia also owns 14 percent of the shares in TicketAnywhere Europe AB, active in the area of mobile travel services. In June, 10 percent of the shares in NGF NetGameFactory AB were acquired, a company that develops games and competitions for mobile telephones and the Internet.

Telia expanded its broadband capacity in Denmark at the end of June through the acquisition of all of the shares in Powercom A/S. Telia sold all its shares in the fixed network company Telia Finland Oy to Song Networks at the end of June.

On 13 May, Vodafone's acquisition of Eircell, the mobile operations of Eircom plc, was finalized, giving Telia an indirect holding of approximately 146.5 million shares in Vodafone. All shares were sold at the end of June. On 11 June, Valentia Telecommunication Ltd submitted a bid, raised in the beginning of August, on all shares in Eircom plc. Telia, which indirectly owns 14 percent of the shares in the company, is committed to accepting the bid.

Operations were sold in January 2001 in the subsidiary Combinator IT AB, which handles project management and technical integration in distributed IT environments. In February, the subsidiary Telia Trading AB was divested, which sells and leases reconditioned telecom and datacom products. At the beginning of May, the call center operations Direct Response Services in Sweden, Norway, Denmark and Finland were sold.

Telia's partly owned subsidiary Telia Overseas AB divested its 29 percent share in the Slovenian mobile company SI.Mobil in February to the Austrian company Mobilkom Austria.

In the beginning of April, Telia divested the Brazilian mobile operator Tess S/A to Telecom Americas. Telia AB and Telia Overseas AB sold all shares with limited voting rights in Tess. With a limited number of shares with special voting rights, Telia and Telia Overseas will together maintain the majority of votes in Tess. The buyer assumed all of Telia's and Telia Overseas' financial interests in Tess.

At the end of May, Telia, which already controlled 49 percent of the shares in the Polish directory company Panorama Polska Sp. z o.o., acquired the remaining shares from the American company Verizon. In accordance with this agreement, all shares in Panorama were immediately transferred to Eniro AB, which made partial payment in the form of own newly issued shares. Telia's holding in Eniro was 49.9 percent at the end of the period. On 10 July, 40 million shares in Eniro were divested, reducing Telia's holding to 25.5 percent.

On 1 June, Industri Kapital 2000 Ltd. acquired 51 percent of the shares in Telia's subsidiary Telefos AB. This company owns Multicom Security AB, Prosoft AB, Respons AB, Swedia Networks AB, Comcarta AB, Swedtel AB, Swedtel Inc., TA Teleadress Information AB and Validation AB, along with their respective subsidiaries.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation, and provides basic production of network services. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 11,258 (11,547), of which MSEK 9,488 (10,116) was billed to subsidiaries. Profit before appropriations and taxes dropped to MSEK –1,165 (3,468), partly due to a write-down of the Netia holding and reduced Group contributions from subsidiaries.

Net income after appropriations and tax was MSEK –927 (2,663). Equity was MSEK 34,032 (36,459 at year-end), and retained earnings MSEK 10,553 (12,961).

The balance sheet total decreased somewhat to MSEK 90,639 (91,494 at 31 December 2000). Cash flow from continuing operating activities was MSEK 1,090 (–94), while operating cash flow was

MSEK 1,351 (963). Net borrowings decreased, to MSEK 2,150 (6,079 at year-end). Liquid funds totaled MSEK 609 (538).

The equity/assets ratio (including the equity component of untaxed reserves) decreased to 51.2 percent (51.9 percent).

Investments totaled MSEK 5,955 (6,516), including MSEK 2,234 (1,421) in tangible fixed assets, primarily fixed telephony installations. Other investments totaling MSEK 3,721 (5,095) were primarily attributable to capital infusions in subsidiaries and associated companies.

The number of employees at 30 June was 3,165 (1,056 at year-end). The increase is due to the transfer of personnel in the network wholesale operations back to the parent company.

Outlook for 2001

For the rest of the year, sales and earnings in the Group's core business are expected to continue to show positive growth.

The ongoing streamlining of our core business combined with a good mix of business and household customers makes Telia less sensitive to volatility in the economy.

Telia is continuing to drive its refine and focus strategy, which strengthens the Group financially. And we are improving our capabilities for adjusting how we use Telia's resources as the economy fluctuates.

Stockholm, 16 August 2001

Marianne Nivert
President and CEO

Auditors' Review Report

We have made a review of this semiannual report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in scope in comparison to an audit. Nothing has come to our attention that indicates that this semiannual report fails to comply with the requirements of the Swedish Securities Exchange Act or the Swedish Annual Accounts Act.

Stockholm, 16 August 2001

Ernst & Young AB

Gunnar Widhagen
Authorized Public Accountant

Filip Cassel
Authorized Public Accountant

Torsten Lyth
Authorized Public Accountant

Group Income Statements

MSEK	Apr–Jun 2001	Apr–Jun 2000	Jan–Jun 2001	Jan–Jun 2000	Jul 2000–Jun 2001	Full year 2000	Full year 1999
Net sales	14,203	13,180	27,795	26,037	55,822	54,064	52,121
Costs of production	−9,363	−8,321	−18,001	−16,072	−34,957	−33,028	−31,206
Gross income	**4,840**	**4,859**	**9,794**	**9,965**	**20,865**	**21,036**	**20,915**
Sales, administrative and R&D expenses	−4,193	−4,337	−8,324	−8,213	−16,437	−16,326	−14,887
Other operating revenues & expenses, net	133	676	278	2,186	6,585	8,493	−805
Share of earnings in associated companies	208	−710	51	−68	−1,078	−1,197	723
Operating income	**988**	**488**	**1,799**	**3,870**	**9,935**	**12,006**	**5,946**
Net financial income/expense	−79	−132	−388	−78	−599	−289	34
Income after financial items	**909**	**356**	**1,411**	**3,792**	**9,336**	**11,717**	**5,980**
Taxes	−640	−74	−848	−1,123	−1,172	−1,447	−1,754
Minority shares	−19	26	−22	29	−43	8	−4
Net income	**250**	**308**	**541**	**2,698**	**8,121**	**10,278**	**4,222**
Earnings per share (SEK)	**0.08**	**0.10**	**0.18**	**0.94**	**2.71**	**3.50**	**1.48**
after dilution (SEK)	**0.08**	**0.10**	**0.18**	**0.94**	**2.71**	**3.50**	**1.48**

Quarterly Data

MSEK	2001 Q2	2001 Q1	2000 Q4	2000 Q3	2000 Q2	2000 Q1	1999 Q4	1999 Q3	1999 Q2
Net sales	14,203	13,592	14,540	13,487	13,180	12,857	14,887	11,771	13,066
Underlying EBITDA	3,014	3,348	3,790	3,180	2,857	3,260	3,343	3,466	3,616
Non-recurring items & pensions	271	30	6,937	−116	201	1,316	−7	−273	−362
Share of earnings in associates	208	−157	−370	−759	−710	642	1,213	−153	227
EBITDA	3,493	3,221	10,357	2,305	2,348	5,218	4,549	3,040	3,481
Depreciation, amortization & write-downs	−2,505	−2,410	−2,427	−2,099	−1,860	−1,836	−2,044	−1,890	−1,872
Operating income	988	811	7,930	206	488	3,382	2,505	1,150	1,609
Income after financial items	909	502	7,658	267	356	3,436	2,445	1,244	1,609
Net income	250	291	7,408	172	308	2,390	1,755	869	1,118
Earnings per share (SEK)	0.08	0.10	2.47	0.06	0.10	0.84	0.62	0.30	0.39
after dilution (SEK)	0.08	0.10	2.47	0.06	0.10	0.84	0.62	0.30	0.39
Investments	5,954	3,659	10,311	16,745	16,042	4,644	4,912	2,121	2,298
of which CAPEX	3,666	3,568	7,185	3,369	3,841	2,185	2,638	1,679	1,818
of which goodwill, shares & participations	2,288	91	3,126	13,376	12,201	2,459	2,274	442	480

Group Balance Sheets

MSEK	30 Jun 2001	30 Jun 2000	31 Dec 2000	31 Dec 1999
Assets				
Intangible fixed assets	26,884	13,878	25,198	2,146
Tangible fixed assets	47,361	37,270	43,807	33,318
Financial fixed assets	20,563	22,407	22,335	18,023
Inventories etc.	821	1,172	773	971
Receivables	33,004	26,520	29,072	20,369
Current investments	508	3,937	178	1,264
Cash and bank deposits	1,051	1,698	1,352	513
Total assets	**130,192**	**106,882**	**122,715**	**76,604**
Equity and liabilities				
Equity	58,570	46,860	55,988	32,893
Minority shares	1,497	468	320	210
Provisions for pensions	3,028	3,185	3,525	3,246
Other provisions	9,014	6,430	7,826	7,242
Long-term loans	26,092	11,808	20,876	9,123
Short-term loans	10,685	6,675	13,166	6,934
Non-interest-bearing liabilities	21,306	31,456	21,014	16,956
Total equity and liabilities	**130,192**	**106,882**	**122,715**	**76,604**

Group Cash Flow Statements

MSEK	Apr–Jun 2001	Apr–Jun 2000	Jan–Jun 2001	Jan–Jun 2000	Jul 2000 Jun 2001	Full year 2000	Full year 1999
Cash flow before change in working capital	1,988	2,359	4,649	3,582	10,656	9,589	12,215
Change in working capital	336	755	−1,839	1,241	−2,517	563	−1,500
Cash flow from operating activities	**2,324**	**3,114**	**2,810**	**4,823**	**8,139**	**10,152**	**10,715**
Cash flow from investing activities	834	−5,049	−2,678	−9,355	−30,444	−37,121	−10,701
Operating cash flow	**3,158**	**−1,935**	**132**	**−4,532**	**−22,305**	**−26,969**	**14**
Cash flow from financing activities	−3,267	6,788	−405	8,382	18,031	26,818	1,005
Cash flow for the period	**−109**	**4,853**	**−273**	**3,850**	**−4,274**	**−151**	**1,019**
Net interest-bearing liability, opening balance	**24,425**	**7,623**	**20,235**	**7,527**	**−319**	**7,527**	**6,767**
Change in net borrowings	−4,775	−7,840	−669	−7,785	19,545	12,429	−753
Change in pension liability	−581	−102	−497	−61	−157	279	1,513
Net interest-bearing liability, closing balance	**19,069**	**−319**	**19,069**	**−319**	**19,069**	**20,235**	**7,527**

Group Business Areas

Apr–Jun 2001

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	4,424	1,117	9,084	853	3,281	–4,556	**14,203**
External net sales	4,004	869	7,722	813	753	42	**14,203**
Underlying EBITDA	1,126	–401	2,680	–168	95	–318	**3,014**
Depreciation, amortization & write-downs	–777	–133	–1,288	–97	–187	–23	**–2,505**
Non-recurring items & pensions	2	–	80	–7	69	127	**271**
Share of earnings in associates	59	–1	–2,557	–13	2,740	–20	**208**
Operating income	410	–535	–1,085	–285	2,717	–234	**988**
Operating capital	35,152	10,387	32,101	1,828	2,039	–3,146	**78,361**
Equity participation in associates	2,287	23	5,863	40	1,857	0	**10,070**
Investments	693	1,134	1,869	292	1,984	–18	**5,954**
of which CAPEX	681	1,111	1,445	240	207	–18	**3,666**
Number of employees	4,177	769	9,030	1,218	6,486	788	**22,468**

Apr–Jun 2000 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	3,091	943	10,877	681	5,085	–7,497	**13,180**
External net sales	2,525	649	7,560	615	1,776	55	**13,180**
Underlying EBITDA	471	23	2,480	–403	689	–403	**2,857**
Depreciation, amortization & write-downs	–319	–58	–1,181	–37	–219	–46	**–1,860**
Non-recurring items & pensions	17	5	–66	1	85	159	**201**
Share of earnings in associates	49	–13	–509	–1	–237	1	**–710**
Operating income	218	–43	724	–441	319	–289	**488**
Operating capital	9,217	2,379	36,059	226	4,091	–5,713	**46,259**
Equity participation in associates	1,968	9	9,479	4	1,787	0	**13,247**
Investments	11,735	1,972	1,784	125	813	–387	**16,042**
of which CAPEX	342	1,966	1,263	125	534	–389	**3,841**
Number of employees	3,311	476	9,492	902	15,958	847	**30,986**

Jan–Jun 2001

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	8,486	2,119	17,674	1,572	6,923	–8,979	**27,795**
External net sales	7,618	1,609	15,197	1,528	1,750	93	**27,795**
Underlying EBITDA	2,260	–755	5,517	–518	414	–556	**6,362**
Depreciation, amortization & write-downs	–1,515	–231	–2,542	–173	–409	–45	**–4,915**
Non-recurring items & pensions	–14	–	38	–9	41	245	**301**
Share of earnings in associates	86	–2	–2,971	–28	2,987	–21	**51**
Operating income	817	–988	42	–728	3,033	–377	**1,799**
Operating capital	35,152	10,387	32,101	1,828	2,039	–3,146	**78,361**
Equity participation in associates	2,287	23	5,863	40	1,857	0	**10,070**
Investments	1,202	2,281	3,305	544	2,334	–53	**9,613**
of which CAPEX	1,187	2,258	2,881	476	485	–53	**7,234**
Number of employees	4,177	769	9,030	1,218	6,486	788	**22,468**

Jan–Jun 2000 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	6,085	1,852	20,165	1,289	9,152	–12,506	**26,037**
External net sales	5,006	1,324	15,186	1,195	3,213	113	**26,037**
Underlying EBITDA	1,316	–91	5,408	–618	858	–756	**6,117**
Depreciation, amortization & write-downs	–628	–98	–2,357	–79	–459	–75	**–3,696**
Non-recurring items & pensions	28	5	1,537	1	189	–243	**1,517**
Share of earnings in associates	65	–13	362	–1	–481	0	**–68**
Operating income	781	–197	4,950	–697	107	–1,074	**3,870**
Operating capital	9,217	2,379	36,059	226	4,091	–5,713	**46,259**
Equity participation in associates	1,968	9	9,479	4	1,787	0	**13,247**
Investments	12,736	2,460	2,533	232	2,771	–46	**20,686**
of which CAPEX	576	2,454	2,002	232	810	–48	**6,026**
Number of employees	3,311	476	9,492	902	15,958	847	**30,986**

Jan–Dec 2000 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	14,556	4,116	39,723	2,793	18,365	–25,489	**54,064**
External net sales	12,365	3,012	30,205	2,501	5,768	213	**54,064**
Underlying EBITDA	3,396	–572	11,257	–1,201	1,831	–1,624	**13,087**
Depreciation, amortization & write-downs	–1,961	–263	–4,804	–191	–882	–121	**–8,222**
Non-recurring items & pensions	20	1	1,353	106	6,199	659	**8,338**
Share of earnings in associates	130	–20	144	–24	–1,427	0	**–1,197**
Operating income	1,585	–854	7,950	–1,309	5,720	–1,086	**12,006**
Operating capital	32,653	6,919	32,613	1,158	6,796	–5,097	**75,042**
Equity participation in associates	2,122	3	7,834	5	3,334	0	**13,298**
Investments	26,017	6,634	7,421	994	6,817	–141	**47,742**
of which CAPEX	2,365	6,528	5,173	911	1,745	–142	**16,580**
Number of employees	3,928	672	9,477	1,132	13,830	829	**29,868**

Geographic Segment Breakdown

Jan–Jun 2001

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	22,792	3,709	58	755	481	**27,795**
Depreciation, amortization & write-downs	–3,422	–1,253	–9	–99	–132	**–4,915**
Share of earnings in associates	125	–3	–1,629	–1,075	2,633	**51**
Operating income	3,788	–978	–1,643	–1,673	2,305	**1,799**
Operating capital	28,178	34,085	5,921	6,367	3,810	**78,361**
Equity participation in associates	1,778	23	5,792	78	2,399	**10,070**
Investments	5,211	1,835	833	1,445	289	**9,613**
of which CAPEX	4,121	1,382	20	1,430	281	**7,234**
Number of employees	18,689	2,606	200	407	566	**22,468**

Jan–Jun 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	23,336	1,533	74	579	515	**26,037**
Depreciation, amortization & write-downs	–3,246	–318	–9	–44	–79	**–3,696**
Share of earnings in associates	158	–13	–123	542	–632	**–68**
Operating income	3,587	720	–137	365	–665	**3,870**
Operating capital	23,430	7,230	5,330	6,168	4,101	**46,259**
Equity participation in associates	472	37	5,214	4,571	2,953	**13,247**
Investments	4,378	11,959	1,305	990	2,054	**20,686**
of which CAPEX	4,019	591	29	984	403	**6,026**
Number of employees	25,898	2,972	778	643	695	**30,986**

Jan–Dec 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	46,469	5,094	137	1,292	1,072	**54,064**
Depreciation, amortization & write-downs	–6,581	–1,312	–19	–107	–203	**–8,222**
Share of earnings in associates	219	–9	–206	513	–1,714	**–1,197**
Operating income	14,274	–256	–160	–50	–1,802	**12,006**
Operating capital	26,287	30,739	7,103	4,741	6,172	**75,042**
Equity participation in associates	718	32	6,988	1,112	4,448	**13,298**
Investments	10,578	25,527	2,865	3,602	5,170	**47,742**
of which CAPEX	9,714	2,573	65	3,420	808	**16,580**
Number of employees	24,905	3,754	173	408	628	**29,868**

Notes to the Accounts

Non-recurring items and pensions

MSEK	Apr–Jun 2001	Apr–Jun 2000	Jan–Jun 2001	Jan–Jun 2000	Jul 2000–Jun 2001	Full year 2000	Full year 1999
Personnel restructuring	–	–	–	–	–	–	–722
Common pension commitments etc.	141	365	158	189	823	854	189
Initial public offering / integration expenses	–	–232	–	–232	88	–144	–226
Year 2000 compliance	–	–	–	–	–	–	–604
Capital gains/losses (excl. associates)	130	68	143	1,560	6,211	7,628	179
Total	**271**	**201**	**301**	**1,517**	**7,122**	**8,338**	**–1,184**

Cash flow from investing activities

MSEK	Apr–Jun 2001	Apr–Jun 2000	Jan–Jun 2001	Jan–Jun 2000	Jul 2000–Jun 2001	Full year 2000	Full year 1999
Shares, participations & operations acquired	–1,416	–490	–1,514	–3,091	–29,264	–30,841	–4,426
Shares, participations & operations divested	5,089	43	5,660	259	14,726	9,325	993
Acquisition of intangible & tangible fixed assets	–3,628	–3,672	–7,196	–6,026	–17,167	–15,997	–7,887
Other investing activities, net	789	–930	372	–497	1,261	392	619
Total	**834**	**–5,049**	**–2,678**	**–9,355**	**–30,444**	**–37,121**	**–10,701**

Fixed assets

	Intangible fixed assets						Tangible fixed assets		
	Goodwill			Other					
MSEK	30 Jun 2001	31 Dec 2000	31 Dec 1999	30 Jun 2001	31 Dec 2000	31 Dec 1999	30 Jun 2001	31 Dec 2000	31 Dec 1999
Opening balance	**23,935**	**1,143**	**1,029**	**1,263**	**1,003**	**815**	**43,807**	**33,318**	**34,801**
Purchases	453	22,893	335	114	509	373	7,125	16,084	7,342
Operations acquired	–	19	12	160	40	3	693	2,431	12
Sales/discards	0	–31	–7	–8	–23	–24	–121	–579	–1,322
Operations divested	–375	–251	–	–18	–4	–	–596	–387	–
Reclassifications	–	–10	–7	105	–76	–11	–304	54	44
Depreciation and amortization	–688	–655	–130	–156	–212	–156	–4,082	–7,352	–7,261
Write-downs/reversals of write-downs	–	–1	–46	–0	–	–	–	–36	–115
Fixed-asset contributions from cable TV customers	–	–	–	–	–	–	5	21	45
Exchange rate differences	2,057	828	–43	42	26	3	834	253	–228
Closing balance	**25,382**	**23,935**	**1,143**	**1,502**	**1,263**	**1,003**	**47,361**	**43,807**	**33,318**

Equity

MSEK	30 Jun 2001	30 Jun 2000	31 Dec 2000	31 Dec 1999
Opening balance	**55,988**	**32,893**	**32,893**	**29,344**
Changes in accounting policies (IAS 39):				
– Market value of quoted securities	–161	–	–	–
– Gain/loss on instruments for hedging fair value and cash flow	–181	–	–	–
Adjusted opening balance	*55,646*	*32,893*	*32,893*	*29,344*
Dividend	–1,501	–1,470	–1,470	–1,400
New share issue	–	12,750	12,750	–
Underwriting expenses after tax, booked directly to equity	–	–206	–231	–
Transactions with outside parties	–178	–	–82	613
Share of earnings in companies previously outside the Group	–	29	29	–
Differences arising from the translation of foreign operations	4,388	94	2,127	19
Market value of quoted securities	3	–	–	–
Gain/loss on instruments for cash flow hedging	131	–	–	–
Translation differences after tax on forward contracts used as equity hedge	–460	72	–306	95
Net income for the period	541	2,698	10,278	4,222
Closing balance	**58,570**	**46,860**	**55,988**	**32,893**

Changes in share capital

	Number of shares ('000)	Par value, SEK/share	Share capital, kSEK
Share capital, 31 Dec. 1999	8,800	1,000.00	8,800,000
Bonus issue, 20 May 2000	–	1,036.80	323,840
324:1 split, 20 May 2000	2,842,400	3.20	–
New share issue, 16 June 2000	150,000	3.20	480,000
Share capital, 30 June 2000	3,001,200	3.20	9,603,840
Share capital, 30 June 2001	**3,001,200**	**3.20**	**9,603,840**

Average number of shares

Period	Number
Apr–Jun 2001	**3,001,200,000**
after dilution	**3,001,739,760**
Apr–Jun 2000	2,875,925,275
Jan–Jun 2001	**3,001,200,000**
after dilution	**3,001,333,038**
Jan–Jun 2000	2,863,562,637
Jul 2000–Jun 2001	3,001,200,000
after dilution	3,001,424,888
Full Year 2000	2,932,757,377
Full Year 1999	2,851,200,000

Financial instruments

MSEK	30 June 2001 Book value	30 June 2001 Market value	1 Jan 2001 (pro forma) Book value	1 Jan 2001 (pro forma) Market value	31 Dec 2000 Book value	31 Dec 2000 Market value
Participations in associated companies	10,070	22,911	13,298	23,173	13,298	23,173
Other holdings of securities	404	404	412	412	635	412
Other financial assets	18,420	18,348	15,345	15,277	15,345	15,277
Interest swaps, interest received	–	–	676	676	–	–
Interest swaps, interest paid	–	–	–646	–646	–	–
Currency swaps, received	8,173	8,173	12,675	12,675	–	–
Currency swaps, paid	–7,311	–7,311	–12,218	–12,218	–	–
Forward exchange contracts	553	553	360	360	–	–
Assets	**30,309**	**43,078**	**29,902**	**39,709**	**29,278**	**38,862**
Long-term loans	26,931	27,144	22,003	22,129	22,031	22,158
Short-term loans	10,922	10,933	13,476	13,483	13,462	13,483
Interest swaps, interest received	–2,096	–2,096	–1,408	–1,408	–2,066	–2,085
Interest swaps, interest paid	2,131	2,131	1,484	1,484	2,281	2,342
Currency swaps, received	–7,947	–7,947	–180	–180	–12,668	–12,855
Currency swaps, paid	7,680	7,680	212	212	11,831	12,220
Forward exchange contracts	352	352	551	551	199	191
Liabilities	**37,973**	**38,197**	**36,138**	**36,271**	**35,070**	**35,454**
less book value of accrued interest	–844		–829		–829	
less book value of forward exchange contracts	–352		–551		–199	
book value of interest-bearing liabilities	**36,777**		**34,758**		**34,042**	
Forward exchange contracts (portfolio)						
Buy foreign currency	17,022	17,022	10,114	10,114	9,937	10,114
Sell foreign currency	16,613	16,613	6,832	6,832	6,662	6,832

Contingent assets, contingent liabilities

MSEK	30 Jun 2001	31 Dec 2000
Contingent assets	**–**	**–**
Collateral pledged		
Shares (short-term investments)	141	–
Blocked funds in bank accounts	11	12
Total	**152**	**12**
Contingent liabilities		
Credit & performance guarantees, etc.	448	995
FPG/PRI	165	165
Other contingent liabilities	113	164
Total	**726**	**1,324**

Contractual investment obligations

MSEK	30 Jun 2001	31 Dec 2000
Tangible fixed assets	2,967	4,235
Indefeasible Rights of Use (IRU)	120	1,026
Associated & non-consolidated companies	55	145
	3,142	**5,406**

Accounting Policies

Consolidated financial statements. For the first six months as well as in the most recent annual report, the Telia Group's accounts have been prepared in accordance with the Swedish Annual Accounts Act and applying International Accounting Standards (IAS). The accounts for the parent company Telia AB were prepared in accordance with Swedish law and generally accepted accounting principles in Sweden. This report was prepared in accordance with IAS 34 "Interim Financial Reporting".

Financial instruments. IAS 39 "Financial Instruments: Recognition and Measurement" took effect on 1 January 2001.

Application of the standard means that financial assets, with certain exceptions, are reported at fair value. Assets held to maturity, receivables arising from own lending and assets whose fair value cannot be reliably determined, e.g. unlisted shares and participations, are valued at their amortized cost. Telia considers quoted securities as available for sale, which means that the value change up to the date of trading is booked directly to equity.

Financial liabilities are valued primarily at their accrued acquisition value. Liabilities that are not held for trading and that are hedged against changes in fair value, however, are reported at fair value.

According to IAS 39, derivatives should be continuously valued at fair value and taken up in the balance sheet. The standard also contains rules for hedge accounting for assets or liabilities against changes in fair value, cash flow hedging and net investments in foreign divisions. Telia uses derivatives, such as interest rate and currency swaps and forward contracts, primarily to control exposure to fluctuations in interest rates and exchange rates. Loans are also used for hedging foreign exchange risks regarding net investments. Net value changes in derivatives used for fair value hedging, and the hedged loan, are charged to the income statement. Value changes in outstanding derivatives used to hedge cash flow are booked directly to equity. The previously applied policy for hedge accounting for net investments complies with IAS 39. There are no agreements that include embedded derivatives as per the balance sheet date.

IAS 39 may not be applied retroactively. In accordance with the transitional regulations, for those items that are affected by the changed policies, an accumulated adjustment of the opening balance after tax is booked directly to equity (see the note "Equity" above).

Pro forma accounts. A new Group structure was implemented on 1 April 2001, with a minor adjustment in May. Accordingly, com-

parative figures for the business areas in this report have been restated pro forma.

Swedish GAAP. IAS differs in certain respects from Swedish GAAP, chiefly regarding the calculation of pension liabilities and pension expenses and accounting for financial instruments.

When calculating pension liabilities, according to IAS, in contrast to Swedish standards, assumptions must be made regarding anticipated pay raises, inflation, discount rates and employee turnover along with anticipated return on plan assets. Effects of changed assumptions and/or outcome other than the expected are recognized in the income statement in accordance with Swedish regulations. In accordance with IAS, such items are recognized only when the value goes outside a "corridor" equal to 10 percent of the greater of either pension obligations or the market value of plan assets, and then over the remaining employment period.

For financial instruments, Swedish standards differ from IAS mainly with regard to accounting for unrealized value changes in derivatives and publicly quoted securities and accounting for liabilities hedged against changes in fair value (cf. the description of IAS 39 above).

The application of Swedish GAAP has the following effects on the net income and equity of the Telia Group.

MSEK	Jan–Jun 2001	Jan–Jun 2000	Full year 2000
Net income as per IAS	**541**	**2,698**	**10,278**
Pensions	–530	222	293
Financial instruments	–12	–	–
Deferred tax	152	–62	–82
Net income as per Swedish GAAP	**151**	**2,858**	**10,489**
Shareholders' equity as per IAS	**58,570**	**46,860**	**55,988**
Pensions	703	1,162	1,233
Financial instruments	277	–	–
Deferred tax	–274	–325	–345
Shareholders' equity as per Swedish GAAP	**59,276**	**47,697**	**56,876**

U.S. GAAP. IAS differs in certain respects from U.S. GAAP. A complete reconciliation against U.S. GAAP is provided in the Group's 2000 annual report.

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" must be applied for a financial year beginning after 15 June 2000 and may not be applied retroactively. The changes to the accounting principles made with the transition to IAS 39 (see above) are in accordance with FAS 133. The previous reconciling item "Publicly quoted securities" is no longer used. FAS 133 may not be applied retroactively. The transitional regulations differ somewhat from IAS 39.

On 1 June FASB Statements No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets" were published. These standards, which are applied to transactions after 1 July 2001, state that the pooling method will no longer be used, nor amortization on goodwill. Impairment will instead be determined on a continuous basis. No evaluation has been made of the effect on income, if any, that would result from the application of FAS 142 in particular.

The operations during the first six months of 2001 have otherwise not entailed any new reconciling items with U.S. GAAP.

Related party transactions

The Swedish state. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish state, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

Telia pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities, as must other operators subject to registration with PTS. The fee is set at 1.5 thousandths of the sales that the operator has for activities that require a license.

Eniro. Telia owns a participating interest in Eniro AB. Several agreements were established between Telia and Eniro in 2000 for Eniro's listing on the OM Stockholm Exchange. Telia divested to Eniro all outstanding shares in those subsidiaries active in directory operations, with the exception of TIM Varumärke AB, which owns certain trademarks used in Eniro's operations. In accordance with the contract, Eniro took possession of the shares in TIM Varumärke in January 2001. Furthermore, Telia would, if outstanding shares in the 49 percent holding in the Polish directory company Panorama Polska were acquired, give Eniro an irrevocable option to acquire all shares in said company at market value. Telia acquired the remaining shares in Panorama Polska in May and in accordance with the agreement, all shares were transferred to Eniro on 31 May. The settlement totaling MSEK 1,173 was paid partly in cash (MSEK 216) and partly via 8,197,400 newly issued shares in Eniro subscribed by Telia.

Comsource/Eircom. Telia owns 40 percent of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60 percent. Comsource in turn owns 35 percent of the shares in Eircom plc. At the end of the period, Telia had interest-bearing loans to Comsource totaling MSEK 4,655, granted primarily to finance the acquisition of the company's stake in Eircom. After final settlement for Comsource's sale of Vodafone shares, the loan amount was reduced in the beginning of July by MSEK 1,598.

Bharti Mobile. As of the balance sheet date, Telia had receivables from the Indian associated company Bharti Mobile Ltd in the amount of MSEK 109.

NorSea Com AS. This company is jointly owned with Enitel, of Norway, and owns telecom cables in the North Sea. After converting claims totaling MSEK 22 to equity, Telia had at 30 June interest-bearing claims on the company in the amount of MSEK 16.

WirelessCar. As of the balance sheet date, Telia had interest-bearing claims on the associated company WirelessCar Sweden AB totaling MSEK 4. An additional owner joined the company during the first quarter. The resulting dilution of Telia's participating interest yielded a non-cash capital gain of MSEK 8.

Other. In addition, Telia buys and sells services and products to a limited extent from these and other associated companies, in all cases on conventional commercial terms.

Non-cash transactions

Vehicles. Telia leases vehicles through financial leasing, primarily from GE Capital. New acquisitions for the period resulted in a non-cash investment of MSEK 36.

Infrastructure/capacity swaps. Within the international carrier business, swap contracts are signed with other carriers for infrastructure and capacity. As the swap contracts concern assets of similar nature and value, the transactions in the consolidated accounts were not reported as acquisitions or divestitures. Before both parties have fulfilled all deliveries as per contract, the value delivered

can differ from the value received. As of the balance sheet date, Telia had received infrastructure and network capacity through swapping for a market value of MSEK 455.

Eniro. The associated company Eniro AB acquired operations in Germany during the first quarter for partial payment in its own shares. This dilution of Telia's participating interest yielded a non-cash capital gain of MSEK 285. Eniro acquired Telia's directory company Panorama Polska on 31 May (cf. above). The part of the purchase price paid through the issue of own shares totaled MSEK 957.

Tess. Upon divestiture of the financial interests in the Brazilian mobile operator Tess S/A, Telia AB and Telia Overseas AB retained part of the purchase price in the form of promissory notes for MSEK 1,371 and MSEK 941 respectively.

Telia Finland. Upon Song Networks' acquisition of the subsidiary Telia Finland Oy, part of the purchase price was paid in the form of shares in Song Networks at a value of MSEK 141.

Financing activities and rating

At the beginning of the year, the Group raised a new public Euro loan totaling MEUR 300 in the Group's EMTN program. The loan is long-term and has a five-year term to maturity. Telia has taken on additional long-term borrowing in the form of EMTN and FTN bonds with terms to maturity between four and ten years.

The focus during the second quarter was on short-term borrowing, primarily via the Group's ECP program. Most of the borrowings denominated in foreign currencies have been swapped into Swedish kronor. The borrowing was mainly due to refinancing needs.

The need for extensive borrowing in the telecom industry, combined with generally worsened credit outlooks for most telecoms in Europe, has resulted in a distorted balance between supply and demand for loan capital. This development has also had a negative impact on Telia's relative cost of borrowing, though still not to the same extent as for most other telecom operators. On the other hand, the general interest rate level was adjusted downward during the period, which meant that total interest costs did not increase to the same extent as indicated by the relative cost of borrowing.

During the period, the rating agencies Standard & Poor's and Moody's performed audits of Telia. The result was that Standard & Poor's confirmed Telia's long-term AA rating, but changed the Outlook to Negative. Moody's decided to adjust Telia's long-term rating down from Aa3 to A1 with Outlook Stable. The credit rating for Telia's short-term borrowing remains at the highest possible rating from both rating agencies. Altogether, even after the changed ratings, Telia remains one of the most creditworthy telecom companies in Europe and the rating changes are not considered to have any material effect on Telia's cost of borrowing.

Employee stock options program

A decision was made at the year 2001 Annual General Meeting of Telia AB regarding an employee stock options program consisting of an issue of promissory notes with options to subscribe for shares. The options are allotted free of charge and each affected employee will obtain 1,000 stock options.

The program includes a maximum total of 21,000,000 options entitling acquisitions of the same number of shares in Telia AB. Option holders may exercise their options no earlier than 31 May 2003 and no later than 31 May 2005. Furthermore, a maximum of 6,500,000 options may be transferred to the market in order to counteract the effect of payroll overhead incurred by the options program.

The increase in share capital at full subscription will total maximum MSEK 88, equivalent to a 0.9 percent increase in the number of shares. The subscription rate is set at SEK 69. The terms and conditions of the options program may be recalculated subsequent to further issues, etc.

Subscription trends [1)]

('000)	30 Jun 2001	31 Mar 2001	Full year 2000	Full year 1999	Full year 1998	Full year 1997	Full year 1996
Fixed telephony, PSTN							
Sweden	5,721	5,762	5,783	5,889	5,965	6,010	6,032
Denmark	207	236	232	209	160	86	12
Mobile telephony							
Sweden	3,323	3,259	3,257	2,638	2,206	1,935	1,745
Norway	884	854	850	–	–	–	–
Other Nordic countries	521	485	446	203	120	–	–
ISDN channels							
Sweden	886	866	838	630	424	244	129
Internet [2)]							
Sweden	857	792	738	604	440	231	106
Denmark	131	124	108	78	63	11	–
Cable television							
Sweden	1,359	1,361	1,358	1,348	1,330	1,308	1,291
Other Nordic countries	180	175	175	170	164	145	137
Rest of world	74	74	69	31	19	7	–

1) For further information: www.telia.com, Investor Relations, Financial information, Operating information
2) Internet via the fixed network and cable TV

Definitions

ARPU. Average monthly revenue per subscription.

Adjusted equity. Reported equity less the proposed dividend.

CAPEX. Capital expenditure.

Capital employed. Balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions reported plus the proposed dividend.

Churn. Number of customers that have left the company expressed as a percentage of the average number of customers.

Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.

EBITDA. Earnings Before Interest, Tax, Depreciation and Amortization.

Earnings per share. Net income divided by weighted average number of shares before and after dilution with potential ordinary shares.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

Interest coverage ratio. Operating income plus financial revenues divided by financial expenses.

Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.

Net interest-bearing liability. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Notation conventions. To conform with Swedish and international standards, this report applies the following notations.

Currencies:	Swedish kronor	SEK
	Euro	EUR
Prefixes:	thousand	k
	million	M
	billion	G

Operating capital. Capital employed excluding financial assets but including participations in associated companies and non-interest-bearing accounts receivable.

Return on equity. Net income expressed as a percentage of average adjusted equity.

Total asset turnover. Net sales divided by the average balance sheet total.

Underlying EBITDA. EBITDA adjusted for shares in earnings of associated companies, capital gains/losses (excluding in venture capital operations and from telecom investments outside the Nordic countries) and common pension obligations. For previous periods, also adjusted for costs of personnel restructuring (including early retirement), year 2000 compliance, as well as for the IPO and preparations for the merger with Telenor.

Underlying EBITDA margin (underlying gross margin). Underlying EBITDA expressed as a percentage of net sales.

Production: Telia AB, Investor Relations and Intellecta Corporate AB. English translation: Interverbum Språktjänst AB. Responsible of printing and repro: Axelsson & Häggström AB. This report was printed on environmentally approved paper.

Telia AB (publ), SE-123 86 Farsta, Sweden, Corporate Reg. No. 556103-4249, Registered office: Stockholm